

WisdomTree Launches Its Broadest Option in Emerging Market Equities

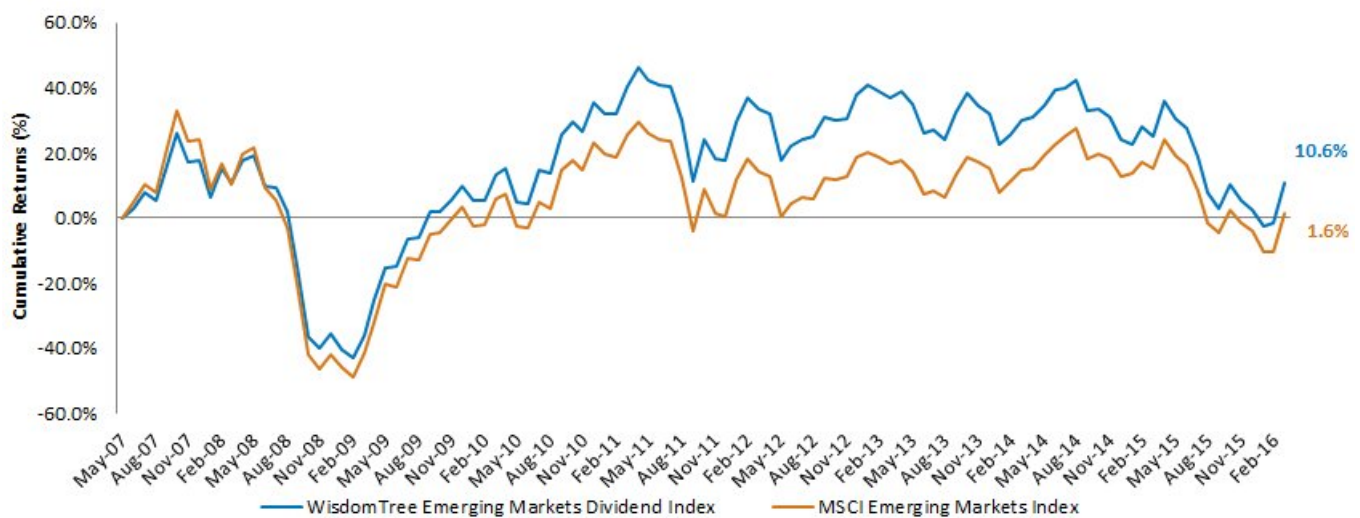
Published April 7, 2016

Christopher Gannatti, CFA

Global Head of Research

After a few years of lagging other global equity markets, emerging markets have begun to show the early stages of what could be a strong rebound in 2016. WisdomTree is excited to be able to launch what will be the broadest option—whether measured by market capitalization or by the number of constituents—in its toolkit of emerging market equity strategies with an exchange-traded fund (ETF) designed to track the [WisdomTree Emerging Markets Dividend Index](#), which has been measuring returns of the dividend-paying segment of most emerging market countries since June 1, 2007. **Emerging Market Dividends: Established Record of Performance** At WisdomTree, we believe that dividends provide an objective measure of a company's health and profitability—one that cannot be affected by accounting methods or government decisions, which is important in emerging markets. The power of weighting equity markets by the dividends companies pay rather than by their market value can be seen in the live performance track record of the WisdomTree Emerging Markets Dividend Index versus the MSCI Emerging Markets Index: • **Greater than 9.0% Cumulative Outperformance:** On a cumulative basis, the WisdomTree Emerging Markets Dividend Index has delivered steadily increasing outperformance with a higher Sharpe ratio, as shown in the chart below by the difference between the two lines, ending at 10.6% and 1.6%, respectively.¹ • **The Dividend Difference:** Any equity index has a price component of its return and a dividend component, the combination of the two being the total return. Since June 1, 2007, the price return of the WisdomTree Emerging Markets Dividend Index was actually quite similar to the price component of the MSCI Emerging Markets Index's return. However, it was the focus on dividend payers and the consistently higher dividend component of total return that was ultimately responsible for the WisdomTree Index's superior performance over this period. As of March 31, the WisdomTree Index had a dividend yield of 4.7%, compared to 2.9% for the MSCI Emerging Markets Index.² • **High Correlation to Emerging Market Equities:** A 0.99 correlation coefficient between the returns of the WisdomTree Emerging Markets Dividend Index and the MSCI Emerging Markets Index indicates that the WisdomTree Index's outperformance was achieved with a performance experience reflective of the asset class. • **Outperformance Came with Lower Risk:** Whether focused on standard deviation or beta compared to the MSCI Emerging Markets Index, the 9.03% cumulative outperformance was achieved with less volatility than the broad market benchmark. **Outperformance & High Correlation** What happens when weighting emerging markets based on the dividends companies pay rather than their market value? Since June 2007, WisdomTree's dividend-weighted approach has increased returns in emerging markets by nearly 1% on an annualized basis, while lowering the volatility of that exposure by just about 2 percentage points

over that period. **WisdomTree Emerging Markets Dividend Index vs. MSCI Emerging Markets Index (6/1/2007-3/31/2016)**



Average Annual Returns

From 6/1/2007 to 3/31/2016	Average Annual Return	Average Annual Standard Deviation	Sharpe Ratio	Beta vs. MSCI Emerging Markets Index	Correlation
WisdomTree Emerging Markets Dividend Index	1.15%	22.76%	0.05	0.92	0.99
MSCI Emerging Markets Index	0.18%	24.64%	0.01	1.00	1.00

Sources: WisdomTree, Zephyr StyleADVISOR, Bloomberg, as of 3/31/16. Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs or other expenses that would be incurred by a portfolio or fund, or brokerage commissions on transactions in fund shares. Such fees, expenses and commissions could reduce returns.

Broad Exposure If asked to identify two core principles by which the WisdomTree Emerging Markets Dividend Index is guided, we would emphasize the broadness of exposure and relative value rebalance. At its most recent screening date, September 30, 2015, the WisdomTree Emerging Markets Dividend Index had 1,328 qualifying constituents—a very broad cross-section of emerging market dividend payers, with a total market capitalization of more than \$6.0 trillion. Interestingly, measuring by number of constituents, this is actually broader than the MSCI Emerging Markets Index, which had 837 constituents as of that date.³ **Disciplined Focus on Fundamental Value** Our annual rebalancing process refreshes Index constituent weights based on the concept of relative value. At the annual rebalance, each constituent's weight, instead of being based on its market cap, is based on its share of all the cash dividends paid by all the companies in the Index. As a practical matter, this means constituent weights change at the

rebalance based on each stock's relative price appreciation compared to its relative dividend growth. Tilting Index weights toward companies that pay larger dividends raises the dividend yield of the entire index. The dividend yield of the WisdomTree Emerging Markets Dividend Index stood at 4.7% as of March 31, 2016, almost 2 full percentage points higher than that of the MSCI Emerging Markets Index 4. **Introducing the [WisdomTree Emerging Markets Dividend Fund \(DVEM\)](#)** The WisdomTree Emerging Markets Dividend Fund (DVEM), which is designed to track the WisdomTree Emerging Markets Dividend Index, offers investors:

- The opportunity to gain broad, core exposure to emerging market equities in an ETF with a competitive expense ratio
- The potential to generate higher returns with lower volatility than comparable capitalization-weighted strategies
- The potential to derive greater dividend income from an emerging market exposure through WisdomTree's proprietary dividend-weighting methodology

Interested in this strategy? [Listen to the Dividend Approach to Emerging Markets Podcast](#). 1Source: Bloomberg, with data from 6/1/07 to 3/31/16. 2Source: Bloomberg. 3Sources: Standard & Poor's, Bloomberg, with data as of the WisdomTree annual screening date, 9/30/15. 4Source: Bloomberg, with data as of 3/31/16.

Important Risks Related to this Article

Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in emerging or offshore markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Heightened sector exposure increases the Fund's vulnerability to any single economic, regulatory or other development impacting that sector. This may result in greater share price volatility. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.